

**Millionaire Party
House Meeting
May 14, 2014**



5/13/2014

Millionaire Party Gambling

- The Bingo Act enacted in 1972 authorized nonprofit qualified organizations to conduct certain forms of gambling to raise revenues.
- Under the Act, qualified organizations can be licensed to conduct bingo, raffles, numeral games, millionaire parties, and other games of chance.
- Millionaire party is "an event at which wagers are placed upon casino-style games of chance customarily associated with a gambling casino."

2

The Current Act Does Not Authorize Poker Rooms

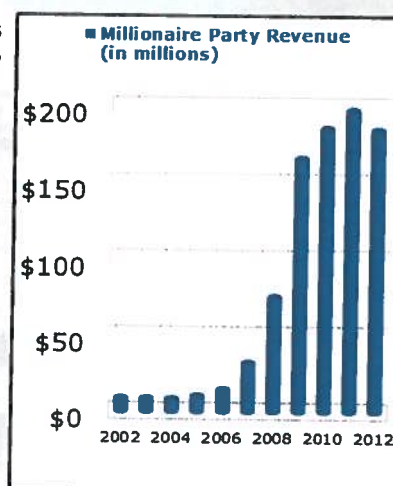
- The Act limits millionaire party gambling to charities. They hold the privilege and license. It does not extend the same privilege and license to locations.



3

History of Expansion of Millionaire Parties

- In 2004, Texas Hold'em Poker was authorized for play at millionaire party (MP) events in Michigan.
 - MPs rapidly grew from the small charity fundraisers at American Legion Halls and churches to locations that are run for-profit and self-proclaimed "Poker Halls."
- 2009 - Lottery issues a moratorium to slow expansion of poker rooms.
- 2010 - Moratorium lifted on locations.
- 2011 - Lottery issues second moratorium on locations and suppliers due to inability to regulate.



4

History of Expansion cont...

- The Bingo Act never contemplated large-scale casino-style gaming, as such; the tools to regulate it within the Bingo Act are grossly inadequate.
 - No requirement for surveillance, internal controls for cash, chip control and card control, and no requirement for security to name a few.
 - As a result, numerous instances of fraud and illegal activity have occurred.
 - The Act requires charities and suppliers to be licensed.
 - Charities to manage event.
 - Suppliers to supply equipment

5

History of Expansion cont...

- Over time unlicensed poker rooms took the place of many licensed suppliers.
- Lottery simply became over whelmed, lacking resources and the tools to address widespread problems.
- April 2012 - Because of widespread fraud and lack of regulation in this casino-type environment, Gov. Rick Snyder signed Executive Order 2012-4 transferring regulation of millionaire parties from Lottery to the Executive Director of MGCB.

6

History of Expansion cont...

- The current Bingo Act includes a provision to separate a location from those who supply equipment and expertise to the charities (licensed supplier).
 - Sec. 11b(10) states, "A person who is directly or indirectly connected to the sale, rental, or distribution of bingo or millionaire party equipment, or the sale of charity game tickets or numeral game tickets, or a person residing in the same household as the supplier shall not be involved directly or indirectly with the rental or leasing of a facility used for an event."

7

Neighboring States Comparison for Charitable Millionaire Parties

Michigan:

- Even with the new rules, Michigan allows up to 16 event days per charity annually (\$240,000 in chips).

Ohio:

- Allows up to 5 event days per charity per year.
- Must be conducted on premises owned by the charity, leased from a governmental agency, veterans or fraternal organizations only.

Illinois:

- Allows 4 event days per year, only 1 event per month at any location. (effective 1/1/14)

Indiana:

- Allows 6 event days per year.
- Not more than 1 organization at a time on the same day at same location.
- A location may not conduct more than 3 event days per calendar week.

Wisconsin:

- Allows raffles and bingo only.
- Prohibits "casino-style" games.

8

Casino Poker Room Revenue

Location / Supplier Name	2010	2011	2012	3 Yr. Total
SNOOKERS POOL AND PUB	\$ 899,226	\$ 1,728,048	\$ 2,665,868	\$ 5,190,942
ACES GAMING SUPPLY LLC	758,728	1,081,258	1,179,825	2,989,609
Hammule Downs	282,210	477,228	504,385	1,263,823
Trophies	386,841	570,754	675,240	1,634,835
Other	87,877	3,274	-	90,951
CSI SUPPLY LLC	679,390	1,008,042	884,844	2,552,276
Recreation/Lanes/Videos & Fresh Box	402,279	444,343	448,017	1,294,639
Casual Gaming/Poker Room	244,367	536,981	408,384	1,192,732
Other	32,744	24,718	7,443	64,905
PALACE POKER ROOM	405,902	748,227	956,056	2,110,185
A-1 BINGO SUPPLIES & GAMES LLC	465,288	631,178	616,482	1,711,948
Video/Billiards	307,425	397,237	385,285	1,089,947
Century Lanes	149,485	206,199	221,052	576,736
Other	8,378	27,742	9,145	45,265
SHWIN LLC	786,399	583,466	267,179	1,647,046
Supply Stock/Ball and Bill	588,291	447,489	118,339	1,152,099
Recreation/Pool	89,243	145,727	150,840	385,810
Snookers	105,445	-	-	105,445
Other	3,420	272	-	3,692
ELECTRIC STICK	219,358	420,452	827,604	1,467,414
RIVER CHARITY POKER ROOM	86,343	645,081	729,446	1,460,870
AIM HIGH PROCEEDS LLC	209,374	235,328	399,608	844,310
Deck & Sports Related	208,729	235,328	399,608	841,665
Other	2,645	-	-	2,645
BIG BEAVER TAVERN	115,978	251,255	412,601	779,837
TOTALS	\$ 4,625,986	\$ 7,310,338	\$ 8,818,113	\$ 20,754,437

*Note the revenue figures come from the financial records submitted by the charities, many of which have admitted to altering or allowing their gaming records to be altered by locations and suppliers. Actual number if reported correctly could increase this amount.

9

Gambling Gone Wild

- Gross chip sales revenue for MP gaming exceeded \$530M 2010 – 2012.
- Joint investigations by the MGCB, Michigan Bureau of Lottery, and the Michigan Attorney General's Office has resulted in banning charity events at 22 **23** self-described "poker rooms" since 2010 for multiple crimes and violations of the act.
- The exposure of illegal activities to the charities and the gaming public is real and the integrity of gaming is adversely affected when this occurs.

10

Criminal Activity

- Many of these locations were closed due to:
 - Fraud
 - Embezzlement of funds from charitable organizations.
 - Kickbacks to location operators / no charity present at the games.
 - Operators inserting themselves as a member of the charity.
 - Pay-to-play
 - Falsifying gaming records.
 - Church admitted to having 16 events over four years and never once showed up for event.
 - April 2014 - four operators of a poker room were arrested and charged by the AG with gambling felonies for operating computer slot machines at a poker room location.

11

Locations Banned for Widespread Illegal Activity

Location	City	Date of Closure	Reason
St. Regis Gaming Club	Detroit	2010	Tax liens
Hall of Fame Billiards	Warren	January 2010	Illegal gambling
Fisher Hall Poker Room	Flint	March 2010	Altering gaming records
Houghton Lake Poker Room	Houghton Lake	April 2010	Illegal gambling
Coops	Ypsilanti	May 2010	Illegal gambling
Shark Club	Canton	March 2011	Illegal gambling / no licensed event
Flying Aces Poker Room (Flight Club)	Inkster	August 2011	Bingo Act violations / Prostitution
Sharkies	Monroe	September 2011	Illegal gambling
Aces High Poker Room	Grand Blanc	February 2012	Illegal gambling
Shark Club	Waterford	February 2012	Illegal gambling
Snookers Pool and Pub	Utica	December 2012	Altering and falsifying gaming records / no charity present /
Cadeas Poker Room & Sports Grill	Sterling Heights	February 2013	Serious LCC Violations
Dollar King	Temperance	May 2013	Supplier conducting illegal gaming
Woody's Press Box d/b/a Spectrum Lanes	Wyoming	May 2013	Supplier conducting illegal gaming
Bob-Hi Lanes	Norton shores	May 2013	Licensing issues - voluntarily closed
Aces Lounge, LLC a/k/a Pocket Aces	Flint Township	October 2013	Defrauding of charities / no charities present
Palace Card Room Inc., a/k/a Gloria's Poker Room	Burton	October 2013	Defrauding of charities / Pay-to-Play
Maverick's	Port Huron	October 2013	Defrauding Charities / Pay-to-Play/Investigation
Lucky's Poker Room	Genesee Twp.	November 2013	Illegal Gambling
Total G Services / 5-Star Lanes	Sterling Heights	December 2013	Altering Gaming Records / Bingo Act Violations/Investigation
Eastbrook Lanes	Grand Rapids	February 2014	Supplier Employees Playing Poker
Lincoln Country Club	Grand Rapids	February 2014	Bingo Act Violation/Investigation

Regulatory Issues

- Many of these poker rooms are for-profit businesses in which gaming is their primary source of income.
- Our inspections have shown routine under reporting of chip sales, gaming occurring without charities being present, and falsifying records to the state.
- Locations also dictate the type of games being played with little regard to the financial risk to charities.
 - Posting their own rules.
 - To satisfy their player base and increase volume and traffic.
 - Require the charity to be the "house" on banked games.

13

Charities Losing Money During Games (Blackjack)

During regulatory inspections, many charities stated they were pressured by their location and/or suppliers to conduct blackjack under risk they would not be allowed to have further events at their location. Multiple charities have expressed their concern about losing large sums of money and in some cases suspect dealer/player collusion. For example:

- **Auburn Elementary School (River Charity Poker Room / Shelby)** was required to play blackjack which resulted in the organization losing \$9,445 at blackjack during the four-day event.
- **Royal Arch Masons Romeo Chapter 17 (Cadas / Sterling Heights)** Charity suffered blackjack losses the first two days of their event. The charity had to sign IOU's for the losses totaling \$6,390.
- **F &AM 464 (Cadas / Sterling Heights)** Charity forced to play blackjack for the entire event which resulted in a loss to the charity in the amount of \$4,781. The chairperson suspected dealer/player collusion, as dealer tip cups ranged from \$1,500 to \$2,000. The chairperson closed early on day four due to frustration over blackjack losses.

14

Charities Losing Money During Games (Blackjack) cont...

- **Knights of Columbus #4401 (Snookers / Utica)** members stated they lost **\$3,287** on the first day of their event and a member had to issue an IOU to Snookers.
- **Montrose Community School (5 Star / Sterling Heights)** member(s) lost **\$3,267** for the four-day event.
- **Southfield Lathrup AM Optimist Club (Doc's / Livonia)** members stated they suffered a blackjack loss for day two of their event totaling **\$5,417**. The charity had to sign an IOU to the location to cover the losses.
- **American Legion 351 Auxiliary (River Charity Poker Room / Shelby)** member(s) advised they were required to play blackjack which resulted in a loss of **\$4,841** on day three of the event.

Total Loss for just the above listed charities: \$37,428

This is just a small sample of charity losses discovered by the Gaming Board.

15

New Rule Process

- In its current form we are unable to regulate poker rooms, we are attempting to protect MP events by formulating new rules.
 - The Executive Director and his staff submitted rule changes and received comments from the public, supplier groups, charity organizations, and legislators.
 - We have a duty to protect the charities. These rules are an attempt to ensure integrity and still allow charities to fund raise.

16

Rule Compromises

Most of the compromises were at the request of members of the House, the Senate, and JCAR.

- Increased the number of days events could be held at one location from 30 to 208 days.
- Allow up to 2 events per location (previously capped at 1).
- Increased the maximum amount of allowable expenses payable to a licensed supplier from 35% to 45% of the event's gross profits to benefit the suppliers.
- Decreased the number of workers from the charitable organization who must be present to manage the event from 5 to 3.
- Eliminated the restriction to conduct a millionaire party at a location within the same or adjacent county of the qualified organization.

17

Rule Compromises cont...

- The Moratorium on new suppliers was lifted January 10, 2014, as a result, we have received 14 new supplier license applications to date.
- The location Moratorium will be lifted in conjunction with the implementation of the new rules.
- Currently 34 locations.
 - The rules allow events to be held throughout the state at the charities request.
 - No longer monopolized to a few places.
 - Licensed suppliers will again be injected into the charity gaming event process insuring those assisting the charities have been vetted, are suitable, and have been background checked.
 - Activity will drive business and traffic to fraternal halls, bars and restaurants with the location charging for rent only.
 - No longer profit sharing for locations.

18

What the New Rules Did Not Change

- Charities may receive up to 4 licenses per year for up to a total of 16 event days per year.
- Charities may sell up to \$15,000 in chips per event day (i.e. up to \$240,000 per year).
- Charities may utilize their own equipment or rent equipment from a licensed supplier.
- Charities may obtain dealers from their organization or hire a supplier.
- Charities are responsible for their events and settling disputes.

19

New Rules Increase Integrity of Gaming

- 30% increase of suppliers will service more charities.
 - Returns control of licensed MP events to the charities.
 - Injects licensed suppliers back into the process of renting equipment and assisting charities.
 - Allows charities to host an event or rent a location of their choice.
 - Follows current law which requires separating the location and equipment supplier, making the activity ancillary to the business. Not primary.

20

New Rules Increase Integrity of Gaming cont...

- Regulators will conduct background checks on dealers to assist charities and suppliers in utilizing the appropriate people for their event.
 - A recent inspection of a location's dealers and floor managers revealed three of the individuals had felony convictions for fraud and/or embezzlement.

21

SB 878 Codifies and Expands Poker Room Casinos

- Does not address the issues noted earlier regarding what is required to regulate gaming at a static site with large volumes of cash transactions.
- Takes away discretion and requires that the Executive Director shall issue licenses.
- Takes away two-thirds of all of funding for regulating MPs.
- Increases the volume of cash, frequency of events, and the profit to the poker rooms.
- Is a poker room casino bill, not a charitable MP bill.

22

SB 878 Codifies and Expands Poker Room Casinos cont...

- Defunds oversight and regulation. Sec 8(2)
- Increases chip sale limit (from \$15,000) up to \$20,000 or \$50,000 per charity per event day. Sec 42(1)
 - Up to \$200,000 in play at any one time.
 - \$146 Million or more annually per location.
- 4 events can run simultaneously at the same location with no limitations on the # of charities per day or # of days per week. Sec 34(9) and Sec 35(4)

23

SB 878 Codifies and Expands Poker Room Casinos cont...

- Allows a MP location to operate the gaming. Sec 38
 - This model is the root of most historical problems (i.e. when gaming is the primary business of the location).
 - Eliminates the separation of supplier and location for MP events only. Sec 11b (10)
- MP providers and locations are permitted to advertise as poker room casinos. Sec 37(2)
- Requires issuance of license by gaming regulators to both charities and MP suppliers. Sec 34 and Sec 47
 - Dictates "the director shall issue [the] license".

24

SB 878 Codifies and Expands Poker Room Casinos cont...

- No background checks required for charities. Sec 42(5)
 - Circumvents the background check required for everyone else and allows convicted felons to deal or act as a room manager if the non-profit says he/she is a member.
- Inadequate sanction and fine structure removing discretion of the regulator. Sec 54
- Allows convicted felons to reapply after two years.
- Rescinds all newly promulgated rules. Sec 59(3)

25

Bingo Act Revenue to Michigan Non-Profits

Gross Revenue

License	2010 Revenue	2011 Revenue	2012 Revenue	2010 - 2012 Total
Charity Pull Tabs	\$ 91,919,218	\$ 79,102,687	\$ 70,292,693	\$ 241,314,598
Bingo	\$ 229,725,788	\$ 184,271,895	\$ 164,074,901	\$ 578,072,584
Millionaire Party	\$ 185,261,723	\$ 197,256,125	\$ 186,004,253	\$ 568,522,101
Raffles	\$ 53,635,627	\$ 54,261,404	\$ 57,393,583	\$ 165,290,614
	\$ 560,542,356	\$ 514,892,111	\$ 477,765,430	\$ 1,553,199,897

Net Profit to Qualified Organizations

License	2010 Net Profit	2011 Net Profit	2012 Net Profit	2010 - 2012 Total
Charity Pull Tabs	\$ 12,060,234	\$ 10,357,976	\$ 9,223,627	\$ 31,641,837
Bingo	\$ 15,575,430	\$ 10,273,562	\$ 11,035,575	\$ 36,884,567
Millionaire Party	\$ 18,976,868	\$ 19,223,428	\$ 16,680,676	\$ 54,880,972
Raffles	\$ 27,330,054	\$ 28,511,073	\$ 29,813,309	\$ 85,654,436
	\$ 73,942,586	\$ 68,366,039	\$ 66,753,187	\$ 209,061,812

Lottery figures obtained from annual report

26

If SB 878 is Enacted it will Require Voter Approval

- Art IV §41 of the Michigan Constitution provides in relevant part:
 - *No law enacted after January 1, 2004, that authorizes any form of gambling shall be effective . . . without the approval of a majority of electors voting in a statewide general election and a majority of electors voting in the township or city where gambling will take place....*
- Charitable gaming licenses will cease to be issued until the law has voter approval.

COUNTY OF OAKLAND
OFFICE OF THE SHERIFF

MICHAEL J. BOUCHARD



October 28, 2013

The Honorable Tom McMillin
Chairman, Joint Committee on Administrative Rules

The Honorable John Pappageorge
Alternate Chair, Joint Committee on Administrative Rules

Boji Tower - 3rd floor
124 West Allegan St.
P. O. Box 30036
Lansing, MI 48909-7536

Dear Chairman McMillin and Alternate Chair Pappageorge:

I write today to express my support for the addition of rule changes related to the Michigan Gaming Control Board (MGCB) and the sanctioning of Millionaire Parties and Charitable Gaming. While I was a member of the Michigan Legislature, I was the first senate chair of Gaming and Casino Oversight and authored the Casino Regulation Act which still controls and regulates our gaming industry in the state of Michigan. I have been passionate about this issue since my time in the legislature and continue to monitor the gaming industry to ensure that best practices are used.

As Sheriff, I have become concerned about Charitable Gaming and the Millionaire Parties that are being conducted in Oakland County and throughout the state. The purpose of these parties is to benefit charities and civic organizations. However, these Millionaire Parties have turned into *de facto* casinos that are being run through bars and poker halls. In many instances, the charities are not even present onsite for these parties and simply have to apply for a license and find a poker hall to run the event for them. Often, these poker halls are not giving the charities the full profits that were earned and are keeping the money for themselves.

It is clear that additional oversight is needed in regards to this type of charitable gaming. These types of games fall under the Bingo Act and currently, there are no tools for MGCB to use or penalties ascribed for violators of this act. Secondly, there is no responsibility or guidelines outlined for the charities and civic organizations and therefore, the system is currently being abused. That being said, if rules are to be adopted, they should be crafted in a way to not penalize the charities that are currently following the law. Organizations such as the American Legion and Elks are often dependent on this money made from these events and they should not be penalized.

I hope that you consider adjustments to the current system that targets the bad actors and protects those who are operating in a legal manner.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, reading "Michael J. Bouchard". The signature is written in a cursive, flowing style.

Michael J. Bouchard

Oakland County Sheriff



ANTHONY M. WICKERSHAM

OFFICE OF THE SHERIFF

Kent B. Lagerquist
UNDERSHERIFF

October 28, 2013

Richard Kalm
Executive Director
State of Michigan Gaming Control Board
3062 W. Grand Blvd., Suite L-700
Detroit, MI 48202

Dear Mr. Kalm:

This letter is authored reference our conversation and upon review of the data you provided about charity poker rooms and charitable gaming. As Sheriff of Macomb County, I see value with our charities that raise money to help those less fortunate within our communities. I do support additional rules that would decrease the opportunity for fraud and criminal enterprise within our communities and still allow charities to use millionaire parties to fundraise.

Respectfully,

A handwritten signature in cursive script, reading "Anthony M. Wickersham".

Anthony M. Wickersham
Macomb County Sheriff

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STATE OF MICHIGAN
DEPARTMENT OF STATE POLICE
LANSING

RICK SNYDER
GOVERNOR

COL. KRISTE KIBBEY ETUE
DIRECTOR

October 31, 2013

The Honorable Tom McMillin
Chairman, Joint Committee on Administrative Rules

The Honorable John Pappageorge
Alternate Chair, Joint Committee on Administrative Rules

Boji Tower - Third Floor
124 West Allegan Street
P. O. Box 30036
Lansing, Michigan 48909-7536

Dear Chairman McMillin and Alternate Chair Pappageorge:

I am writing to express my support for the Michigan Gaming Control Board's proposed changes to the administrative rules concerning Millionaire Parties.

Originally, "Millionaire Parties" were intended to permit groups such as the American Legion, the Kiwanis, churches, and other charities to operate a "Vegas Night" to raise funds for their organization. The games were fairly infrequent and the amount of money generated was small. Unfortunately, these games have grown into what are, in effect, unregulated casinos.

This scope of this gambling—reported chip sales totaled over a half billion dollars the last three years--creates numerous law enforcement problems. These games have become havens for fraud and illegal gambling and targets for robbery. The Gaming Control Board has already suspended gaming at 16 locations, in most cases for illegal gambling.

Stopping this illegal conduct requires considerable law enforcement resources as these investigations can be time-consuming and complicated. At a time when state and local budgets are under extreme pressure, it makes sense to strengthen the regulations relating to this activity so both law enforcement and legitimate gaming operators have a clear set of rules to apply.

The proposed rules will allow charitable groups to continue to raise money through poker fundraisers while helping to eliminate the illicit conduct associated with illegal gambling.

Sincerely,

DIRECTOR